

Conclusion

First: General and Specific Findings:

A-General Findings:

1-The capital base of the majority of the Sudanese Banks is more than the Basel 1 minimum required rate of 8%. This in contrast to what some critics claim about SBS being undercapitalized.

2-Due to the Central Bank of Sudan (CBOS) implementation of the international standards on the (SBS) together with its increased and intensive bank supervisory process on them , compliance with capital and capital adequacy requirement, (NPL) collection, transparency practices, profitability , growth and stability have been improved.

3-Sudanese Banks as a group outperformed their Islamic and conventional peers, especially with regard to; Capital Adequacy Ratio (CAR), liquidity, profitability, cost and growth rates.

4- Some of the Basel Accords Capital Adequacy Standard (CAS) Contents are irrelevant to the Sudanese Islamic Banks (SIBs) nature of business and need to be replace by a Sharia'ah compliant Contents.

5-The new international regulations have so many incentives and opportunities for banks, for instance, they are intended to encourage banks to use their capital and other resources efficiently and in particular, to improve their control process which in the final place leads to banking safety, soundness, growth and stability.

6-Well capitalized Banks will have good rating according to the standards, hence playing their economic and developmental roles effectively.

7-Good rating qualifies Sudanese Banks to have wide and less riskier business opportunities (i.e. improve their competitiveness locally, regionally, and internationally).

8-Banks with good and efficient risk management systems will have financial incentives and capital charges deduction in dealing with credit worthy clients.

9- The (CAS) of the Islamic Financial Services Board (IFSB)has so many benefits and incentives for Islamic Banks (IBs) from these we can have the following:

- Improvement of risk management methods and risk measure tools inside IBs.
- Adoption of the standardize approach in measuring credit risks by the (CAS) will give low risk weights for the (IBs)' claims on high creditworthiness clients.
- (IBs) will also benefit from using credit mitigation techniques (e.g. Before hand (Urban) ,Binding Murabaha Contract, Investment Risk Reserve (IRR) ,and Profit Equalization Reserve (PER),....etc.) to lower risks and capital charge against expected risks.
- Unification and application of the internationally accepted standards and at the same time Shari'ah compliant standards on Islamic Banks

will facilitate entrance and competition of Islamic Banks into the global financial market.

- Application of(CAS) on Islamic Banks will give incentive to IBs to give investment facilities to investment companies who have high financial adequacy as well as high creditworthiness. This process will minimize risks on exposure and at the same time will increase the IBs total revenue and net profit, level of clients' confidence on them will be raised. IBs 'assets will be increased and thus growth, soundness and stability of the IBs will be positively enhanced and improved.
- Treatment of Investment Account Holders (IAHs) as partners in IIFS operations should result in a more effective use of capital and other available resources to Islamic Banking.

9-Despite of the major achievements which the Sudanese Banks recorded over the past few years and more in 2008, yet Sudanese banks face a group of new challenges and structural weaknesses that need to be carefully handled. As an example of these For example and in brief we can mention the following:

- Small sized paid-up capital that falls short of Basel II requirements.
- Scarcity of well trained manpower especially with shariah compliant risk related skills.
- Lacking of credit rating agencies/private credit bureaus.
- Lacking of market benchmarks/reference rates for effective risk management.

- Data constraints /weak Management Information System (MIS) and weak financial accounting disclosure.
- Lacking of internal risk assessment capabilities.
- Non-supportive legal system.

B-Specific Findings:

1. In response to the CBOS and Basel Call to increase paid capital, ONB in 2008 increased its paid – up capital from 71 SDG Milliard to 523 SDG Millions.
2. In accordance with Basel 1 requirements ONB is found to be adequately capitalized(9.39% on average), but with Basel 11 and IFSB requirements around the corner, ONB needs to inject more fresh capital and to reduce the amount of its RWAs and NPF immediately.
3. ONB is the biggest market player in the Sudan, in regard to its paid-up capital, assets, owners' equity, deposits and finance. It constitutes more than 30% of the SBS market share.
4. Since the CBOS is the dominant share holder of the ONB (i.e. CBOS owns 76.4% of the share capital). ONB has no interest in concealing any piece of information. Thus, ONB is committed to full disclosure, transparency, corporate governance standards and it is one of the first banks to establish risk management department and compliance officer in the country.

Second: General and Specific Recommendations:

A-General Recommendations:

- 1- With regard to the forthcoming implementation of Basel 1I,Basel 3 and the(IFSB,s) requirements, Sudanese Banks have to inject more fresh capital , employ modern risk management techniques, develop internal models to compute capital requirements, improve internal audit systems and enhance international standards of transparency, regulation and supervision

- 2- Capital Adequacy, Risk Management, Disclosure to promote Transparency and Corporate Governance are complementary and thus they have to be applied urgently and side by side so as to gain the fruit of their application.
- 3- SBS's mechanism for collecting debts and solving the problem of Non-performing Loan/ Finance (NPL/F) must be reinforced. There is also a need to strengthen the performance of the Juridical and legislative system to help banks to execute their contractual and financial obligations and collect debts more efficiently.
- 4- This study argues for development of a shari'ah compliance governance framework that caters for the Uniqueness of the Sudanese Banks, and at the same time combines both internal and external arrangements and relies significantly on transparency and disclosure.
- 5- Transparency and supervision at national level must be improved and accounting standards must be developed. Furthermore, there is a need to establish unified organizational, shari'ah compliant and accounting standards and rules in line with international standards. Moreover, there must be better exchange of banking information in the SBS.

B-Specific Recommendations:

1. ONB has to add new capital, new collaterals and guarantees and to exert great efforts to collect its debts so as to minimize amounts of its RWAs and percentages of its NPF.
2. To minimize losses and risks on new investments; comprehensive and scientific feasibility studies plus close follow-up are highly needed for new investment projects/operations.
3. Since ONB holds about 55% of the(IAHs) of the whole country on average, innovative and Shari'ah compliant corporate governance

that caters for such kind of deposits has to be urgently put into place .

4. ONB risk management has to be supported with well trained intellectual capital and modern risk related IT programs.

Third: Proposed Areas for Future Research are:

- 1- Risk mitigation techniques for handling risks faced by the Sudanese Islamic Banking System.
- 2- Main reasons behind the increased amounts and percentages of Non-performing Finance in the Sudanese Banking Industry.
- 3- A fair calculation for Profit –Sharing Investments Accounts (PSIAs) Risk Weighted Assets (RWAs) using an equitable Standard.